Can't Show Logo.bmp

Xhariep District Municipality
(Registration number DC16)
Financial statements
for the year ended June 30, 2015

General Information

Legal form of entity	South African Category C Municipality as defined by the Municipal Structures Act (Act no 117 of 1998).
Nature of business and principal activities	Xhariep District Municipality is a district municipality performing the functions as set out in the Constitution (Act no 105 of 1996).
Jurisdiction	The Xhariep District Municipality includes the municipal areas of Mohokare Local Municipality, Naledi Local Municipality, Letsemeng Local Municipality and Kopanong Local Municipality.
Mayoral committee	
Executive Mayor	Cllr MG Ntwanambi
Speaker	Cllr MJ Sehanka
Councillors	Cllr AV Mona Cllr GM Modise Cllr NI Mehlomakulu Cllr NS Jafta Cllr MM Khotlele (Resigned) Cllr PM Dibe Cllr MJ Mohapi Cllr NC Spochter Cllr H Shebe Cllr SA Sola Cllr JJ Makitle Cllr MJ Mothupi Cllr AJ van Rensburg Cllr ML Sehloho Cllr TE Mokhele
Accounting Officer	MM Kubeka
Chief Finance Officer (CFO)	MC Mogoale Acting Chief Financial Officer
Registered office	P.O. Box 136 Trompsburg 9913
Business address	20 Louw Street Trompsburg 9913
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Van Wyk & Preller Attorneys Lovius Block Attorneys Mthembu Attorneys
Telephone	051 713 9300
Fax Number	051 713 0461
Website Address	www.xhariep.gov.za

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations

GRAP	Generally Recognised Accounting Practice
PIG	Provincial Infrastructure Grant
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
FMG	Financial Management Grant
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
EPWP	Expanded Public Works Programme
RRAMS	Rural Roads Asset Management Systems
MSIG	Municipal Systems Infrastructure Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to June 30, 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Division Of Revenue Act allocations and the Provincial Departments for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are independently supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements are examined by the municipality's external auditors.

The financial statements set out on pages 4 to 44, which have been prepared on the going concern basis, were signed by the accounting officer on 31 August 2015 and were signed on its behalf by:

MM Kubeka
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2015.

1. Incorporation

The municipality was incorporated on 06 December 2001 and obtained its certificate to commence business.

2. Review of activities

Main business and operations

The municipality is engaged in providing services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

3. Going concern

We draw attention to the fact that at June 30, 2015, the municipality had accumulated deficits of R 9,885,125 and that the municipality's total liabilities exceed its assets by R 9,885,125.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

The accounting officer would however wish to draw to your attention of the alledged misconduct by the Chief Internal Auditor and the Internal Auditor that occurred after year ending 30 June 2015. The aforesaid employees have been suspended and investigations are ongoing.

5. Accounting policies

The financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
MM Kubeka	RSA	None

Statement of Financial Position as at June 30, 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Inventories	5	81,405	98,382
Receivables from exchange transactions	6	404,234	1,737,139
Receivables from non-exchange transactions	7	69,144	-
VAT receivable	8	1,832,150	846,968
Cash and cash equivalents	9	1,733,202	815,240
		4,120,135	**3,497,729**
Non-Current Assets			
Property, plant and equipment	4	18,049,892	20,255,686
Non-Current Assets		18,049,892	20,255,686
Current Assets		4,120,135	3,497,729
Total Assets		**22,170,027**	**23,753,415**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	9,048,424	5,678,208
Unspent conditional grants and receipts	10	1,791,480	1,564,292
Provisions	11	98,000	260,000
Bank overdraft	9	-	45,645
		10,937,904	**7,548,145**
Non-Current Liabilities			
Provisions	11	1,347,000	1,113,000
Non-Current Liabilities		1,347,000	1,113,000
Current Liabilities		10,937,904	7,548,145
Total Liabilities		**12,284,904**	**8,661,145**
Assets		22,170,027	23,753,415
Liabilities		(12,284,904)	(8,661,145)
Net Assets		**9,885,123**	**15,092,270**
Accumulated surplus		9,885,125	15,092,270

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	25	395,017	524,860
Fees earned	37	30,127	15,482
Insurance payout	38	632,170	98,087
Other Income	40	227,818	-
Interest income	39	337,607	271,999
Total revenue from exchange transactions		**1,622,739**	**910,428**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	14	50,133,956	55,360,466
Public contributions and donations	15	3,000	-
LG SETA Income	41	233,871	-
Total revenue from non-exchange transactions		**50,370,827**	**55,360,466**
		1,622,739	910,428
		50,370,827	55,360,466
Total revenue	13	**51,993,566**	**56,270,894**
Expenditure			
Employee related costs	18	(33,386,115)	(34,017,650)
Remuneration of councillors	19	(3,753,702)	(3,624,702)
Depreciation and amortisation	21	(2,293,785)	(2,282,637)
Impairment loss/ Reversal of impairments	22	-	(337,647)
Finance costs	24	(302,555)	(70,941)
Debt Impairment	20	(456,123)	(186,989)
Repairs and maintenance		(958,578)	(1,595,588)
General Expenses	17	(15,709,091)	(17,893,885)
Total expenditure		**(56,859,949)**	**(60,010,039)**
		-	-
Total revenue		51,993,566	56,270,894
Total expenditure		(56,859,949)	(60,010,039)
Operating deficit		**(4,866,383)**	**(3,739,145)**
(Loss) gain on assets	23	(340,764)	82,234
Deficit before taxation		(5,207,147)	(3,656,911)
Taxation		-	-
Deficit for the year		**(5,207,147)**	**(3,656,911)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2013	**18,641,916**	**18,641,916**
Changes in net assets		
Prior year error	107,265	107,265
Net income (losses) recognised directly in net assets	107,265	107,265
Surplus for the year	(3,656,911)	(3,656,911)
Total recognised income and expenses for the year	(3,549,646)	(3,549,646)
Total changes	(3,549,646)	(3,549,646)
Balance at July 1, 2014	**15,092,272**	**15,092,272**
Changes in net assets		
Surplus for the year	(5,207,147)	(5,207,147)
Total changes	(5,207,147)	(5,207,147)
Balance at June 30, 2015	**9,885,125**	**9,885,125**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Sale of goods and services		51,934,537	55,201,482
Interest income		337,607	271,999
		52,272,144	55,473,481
Payments			
Suppliers		(50,577,231)	(56,050,343)
Finance costs		(302,555)	(70,941)
		(50,879,786)	(56,121,284)
Total receipts		52,272,144	55,473,481
Total payments		(50,879,786)	(56,121,284)
Net cash flows from operating activities	26	**1,392,358**	**(647,803)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(622,704)	(482,066)
Proceeds from sale of property, plant and equipment	4	193,953	80,397
Net cash flows from investing activities		**(428,751)**	**(401,669)**
Net increase/(decrease) in cash and cash equivalents		**963,607**	**(1,049,472)**
Cash and cash equivalents at the beginning of the year		769,595	1,819,068
Cash and cash equivalents at the end of the year	9	**1,733,202**	**769,596**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	468,566	-	**468,566**	395,017	**(73,549)**	
Fees earned	12,500	-	**12,500**	30,127	**17,627**	
Insurance payout	629,134	-	**629,134**	632,170	**3,036**	
Other income	-	-	**-**	227,818	**227,818**	
Interest received - investment	103,800	-	**103,800**	337,607	**233,807**	
Total revenue from exchange transactions	**1,214,000**	**-**	**1,214,000**	**1,622,739**	**408,739**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	62,992,000	(3,298,035)	**59,693,965**	50,133,956	**(9,560,009)**	
Public contributions and donations	-	-	**-**	3,000	**3,000**	
LG SETA Income	-	-	**-**	233,871	**233,871**	
Total revenue from non-exchange transactions	**62,992,000**	**(3,298,035)**	**59,693,965**	**50,370,827**	**(9,323,138)**	
'Total revenue from exchange transactions'	1,214,000	-	**1,214,000**	1,622,739	**408,739**	
'Total revenue from non-exchange transactions'	62,992,000	(3,298,035)	**59,693,965**	50,370,827	**(9,323,138)**	
Total revenue	**64,206,000**	**(3,298,035)**	**60,907,965**	**51,993,566**	**(8,914,399)**	
Expenditure						
Personnel	(39,164,806)	345,884	**(38,818,922)**	(33,386,115)	**5,432,807**	
Remuneration of councillors	(4,697,000)	-	**(4,697,000)**	(3,753,702)	**943,298**	
Depreciation and amortisation	(3,500,000)	-	**(3,500,000)**	(2,293,785)	**1,206,215**	
General Expenses	(19,172,239)	2,399,529	**(16,772,710)**	(17,426,347)	**(653,637)**	
Total expenditure	**(66,534,045)**	**2,745,413**	**(63,788,632)**	**(56,859,949)**	**6,928,683**	
	64,206,000	(3,298,035)	**60,907,965**	51,993,566	**(8,914,399)**	
	(66,534,045)	2,745,413	**(63,788,632)**	(56,859,949)	**6,928,683**	
Operating deficit	**(2,328,045)**	**(552,622)**	**(2,880,667)**	**(4,866,383)**	**(1,985,716)**	
(Loss) Gain on Assets	-	-	**-**	(340,764)	**(340,764)**	
	(2,328,045)	(552,622)	**(2,880,667)**	(4,866,383)	**(1,985,716)**	
	-	-	**-**	(340,764)	**(340,764)**	
Deficit before taxation	**(2,328,045)**	**(552,622)**	**(2,880,667)**	**(5,207,147)**	**(2,326,480)**	
Surplus before taxation	(2,328,045)	(552,622)	**(2,880,667)**	(5,207,147)	**(2,326,480)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(2,328,045)**	**(552,622)**	**(2,880,667)**	**(5,207,147)**	**(2,326,480)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Investment revenue	103,800	-	103,800	-		103,800	337,607		233,807	325 %	325 %
Transfers recognised - operational	62,992,000	(3,298,028)	59,693,972	-		59,693,972	50,133,956		(9,560,016)	84 %	80 %
Other own revenue	1,110,200	-	1,110,200	-		1,110,200	1,522,003		411,803	137 %	137 %
Total revenue (excluding capital transfers and contributions)	**64,206,000**	**(3,298,028)**	**60,907,972**	**-**		**60,907,972**	**51,993,566**		**(8,914,406)**	**85 %**	**81 %**
Employee costs	(39,164,806)	345,884	(38,818,922)	-	-	(38,818,922)	(33,386,115)	-	5,432,807	86 %	85 %
Remuneration of councillors	(4,697,000)	-	(4,697,000)	-	-	(4,697,000)	(3,753,702)	-	943,298	80 %	80 %
Depreciation and asset impairment	(3,500,000)	-	(3,500,000)			(3,500,000)	(2,293,785)	-	1,206,215	66 %	66 %
Other expenditure	(19,172,239)	2,399,529	(16,772,710)	-	-	(16,772,710)	(17,426,347)	-	(653,637)	104 %	91 %
Total expenditure	**(66,534,045)**	**2,745,413**	**(63,788,632)**	**-**	**-**	**(63,788,632)**	**(56,859,949)**	**-**	**6,928,683**	**89 %**	**85 %**
Total revenue (excluding capital transfers and contributions)	64,206,000	(3,298,028)	60,907,972	-	-	60,907,972	51,993,566	-	(8,914,406)	85 %	81 %
Total expenditure	(66,534,045)	2,745,413	(63,788,632)	-	-	(63,788,632)	(56,859,949)	-	6,928,683	89 %	85 %
Surplus/(Deficit)	**(2,328,045)**	**(552,615)**	**(2,880,660)**	**-**		**(2,880,660)**	**(4,866,383)**		**(1,985,723)**	**169 %**	**209 %**

Xhariep District Municipality

(Registration number DC16)
Financial Statements for the year ended June 30, 2015

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-		-	(340,764)		(340,764)	DIV/0 %	DIV/0 %
Surplus/(Deficit)	(2,328,045)	(552,615)	(2,880,660)	-	-	(2,880,660)	(4,866,383)	-	(1,985,723)	169 %	209 %
Capital transfers and contributions	-	-	-	-	-	-	(340,764)	-	(340,764)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**(2,328,045)**	**(552,615)**	**(2,880,660)**	**-**		**(2,880,660)**	**(5,207,147)**		**(2,326,487)**	**181 %**	**224 %**
Surplus (Deficit) after capital transfers and contributions	(2,328,045)	(552,615)	(2,880,660)	-	-	(2,880,660)	(5,207,147)	-	(2,326,487)	181 %	224 %
Surplus/(Deficit) for the year	**(2,328,045)**	**(552,615)**	**(2,880,660)**	**-**		**(2,880,660)**	**(5,207,147)**		**(2,326,487)**	**181 %**	**224 %**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, unless otherwise stated.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables, Loans and Receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Useful lives and residual values

The municipality's management determines the useful lives and the related depreciation charges for property, plant and equipment. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Long Service Bonus

The present value of the long service bonus obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of long service bonus obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be required to settle the long service bonus obligation. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Effective interest rate and deferred payment terms

The municipality used the prime interest rate adjusted for rates used by main suppliers or discount before future cash flows.

Leave and bonus provisions

The municipality used the leave days and bonus paid date to estimate the provisions respectively.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.4 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land is not depreciated and depreciation commence when the asset is ready for intended use.

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	25 - 30 years
Security System	5 - 10 Years
Plant and machinery	3 - 15 years
Furniture and fixtures	3 - 15 years
Motor vehicles	4 - 7 years
Office equipment	5 - 10 years
Computer equipment	3 - 10 years
Finance lease assets	
Office equipment	The shorter of asset's useful life or the lease term.
Other assets	The shorter of asset's useful life or the lease term.

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

No items of property, plant and equipment are pledged as security for liabilities.

Accounting Policies

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends or similar distributions received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Accounting Policies

1.5 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) and cash with banks (including call deposits).Cash equivalents are short-term highly liquid investments, readily convertible to a known amount of cash ,that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loan and receivables.

1.5 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Investment

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into.

Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortised cost, and are subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.5 Financial instruments (continued)

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.6 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance. Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

Defined contribution plans

The municipality contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Accounting Policies

1.9 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

has a detailed formal plan for the restructuring, identifying at least:
- the activity/operating unit or part of a activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.10 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.13 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

The comparative figures have not been restated.

1.15 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

1.17 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

1.18 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

1.18 Budget information (continued)

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2014 to 6/30/2015.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The financial statements and the budget are on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the financial statements.

Comparative information is not required.

1.19 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.20 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Accounting Policies

1.21 Use of Estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Going concern

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

The municipality cannot continue to operate without receiving government grants. However the going concern assumption is based on the fact that according to DoRA the municipality will continue to receive government grants for the next three years.

The municipality experienced financial constraints during the month of November 2014, January 2015 and February 2015. An overdraft was obtained through ABSA Bank limited to be able cover the operational expenditure for the said months.

2. Accounting Policies, Changes in Accounting Estimates and Errors

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards. Accounting Policies, Changes in Accounting Estimates and Errors is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors.

The standard requires compliance with any specific GRAP standards applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

Taxation

The charge for the current tax is based on the results for the year, as adjusted for the items that are exempt or disallowed. It is calculated using the tax rates that have been enacted or substantively enacted by the Income Tax Act, VAT Act and other South African legislated Tax requirements.

The Municipality is registered on the payment basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.

Impairment of Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

'- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
'- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

2. (continued)

Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Presentation of currency

These annual financial statements are presented in South African Rand.

All figures presented in the annual financial statements have been rounded to the nearest Rand.

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
GRAP 18: Segment Reporting	April 1, 2015
GRAP 105: Transfers of functions between entities under common control	April 1, 2015
GRAP 106: Transfers of functions between entities not under common control	April 1, 2015
GRAP 109: Accounting by Principals and Agents	April 1, 2015
GRAP 20: Related parties	April 1, 2016
IGRAP 11: Consolidation – Special purpose entities	April 1, 2015
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	April 1, 2015
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	April 1, 2015
GRAP 7 (as revised 2010): Investments in Associates	April 1, 2015
GRAP 8 (as revised 2010): Interests in Joint Ventures	April 1, 2015
GRAP 32: Service Concession Arrangements: Grantor	April 1, 2016
GRAP 108: Statutory Receivables	April 1, 2016
IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 1, 2016
DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	April 1, 2016

4. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	16,748,905	(4,526,811)	12,222,094	16,748,905	(4,042,648)	12,706,257
Leasehold property	638,601	(504,883)	133,718	1,281,358	(865,296)	416,062
Plant and machinery	2,107,870	(1,050,180)	1,057,690	2,107,870	(785,878)	1,321,992
Furniture and fixtures	2,371,362	(1,429,256)	942,106	2,503,019	(1,210,221)	1,292,798
Motor vehicles	994,096	(335,594)	658,502	476,718	(218,979)	257,739
Office equipment	1,463,502	(923,997)	539,505	1,560,285	(721,934)	838,351
IT equipment	1,717,192	(884,391)	832,801	2,531,432	(1,101,883)	1,429,549
Ancillary fleet equipment and security	2,879,313	(1,215,837)	1,663,476	2,879,313	(886,375)	1,992,938
Total	**28,920,841**	**(10,870,949)**	**18,049,892**	**30,088,900**	**(9,833,214)**	**20,255,686**

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Buildings	12,706,257	-	-	(484,163)	12,222,094
Leasehold property	416,062	-	(106,944)	(175,400)	133,718
Plant and machinery	1,321,992	-	-	(264,302)	1,057,690
Furniture and fixtures	1,292,798	4,647	(45,655)	(309,684)	942,106
Motor vehicles	257,739	517,377	-	(116,614)	658,502
Office equipment	838,351	965	(25,656)	(274,155)	539,505
IT equipment	1,429,549	99,715	(356,458)	(340,005)	832,801
Ancillary fleet equipment and security	1,992,938	-	-	(329,462)	1,663,476
	20,255,686	**622,704**	**(534,713)**	**(2,293,785)**	**18,049,892**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Impairment loss**	**Total**
Buildings	13,190,392	-	-	(484,135)	-	12,706,257
Leasehold property	599,104	-	-	(183,042)	-	416,062
Plant and machinery	1,586,391	-	-	(264,399)	-	1,321,992
Furniture and fixtures	1,601,823	1,867	(1,837)	(302,240)	(6,815)	1,292,798
Motor vehicles	570,070	183,769	-	(208,219)	(287,881)	257,739
Office equipment	1,074,757	48,932	-	(274,422)	(10,916)	838,351
IT equipment	1,538,252	247,498	-	(324,167)	(32,034)	1,429,549
Ancillary fleet equipment and security	2,261,083	-	-	(268,145)	-	1,992,938
	22,421,872	**482,066**	**(1,837)**	**(2,308,769)**	**(337,646)**	**20,255,686**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Financial Statements

Figures in Rand	2015	2014

5. Inventories

Inventory - Stationery	59,365	60,682
Inventory - Cleaning material	22,040	37,700
	81,405	**98,382**

During the financial year cleaning material with a cost value of R10 676,62 had expired. Due to the fact that this cleaning material where classified as hazardous waste it was decided to write them off for the safety of the municipal officials .

None of the inventory has been pledged as security.

6. Receivables from exchange transactions

Trade debtors	95,353	1,448,744
Prepaid expenses	50,063	6,380
Other debtors	258,818	282,015
	404,234	**1,737,139**

Trade debtors	**R**	**R**
Current (0-30 days)	173,886	213,033
31- 60 days	72,316	75,959
61- 90days	74,569	77,081
91 -120 days	98,550	68,117
121- 150 days	66,821	73,404
151-180 days	68,958	1,897,537
+180 days	483,152	-
Less Provisions	(942,899)	(956,386)
	95,353	**1,448,745**

Summary of debtors by Customer Classification as at 30 june 2015	**Other**	**Industrial Commercial**	**National and Provincial Government**	**Total**
	R	**R**	**R**	
Current (0-30 Days)	-	-	173,886	173,886
31-60 Days	-	-	72,316	72,316
61- 90 Days	-	-	74,569	74,569
91-120 Days	-	-	98,550	98,550
121-365 Days	2,051	23,427	593,453	618,931
Subtotal	2,051	23,427	1,012,774	1,038,252
Less:Provision for doubtful debts	-	(23,427)	(919,472)	(942,899)
	2,051	**-**	**93,302**	**95,353**

Summary of debtors by Customer Classification as at 30 June 2014	**Industrial Commercial R**	**National and Provincial Government R**	**Total**
Current (0-30 Days)	23,427	189,606	213,033
31 -60 Days	-	75,959	75,959
61-90 Days	-	77,081	77,081
91-120 Days	-	68,117	68,117
121 -365 Days	800	1,970,141	1,970,941
Subtotal	24,227	2,380,904	2,405,131
Less:Provision for doubtful debts	-	(956,386)	(956,386)
	24,227	**1,424,518**	**1,448,745**

Notes to the Financial Statements

Figures in Rand	2015	2014

6. Receivables from exchange transactions (continued)

Trade and other receivables pledged as security

None of the debtors have been pledget as surcurity during the current year.

7. Receivables from non-exchange transactions

Government grants and subsidies	69,144	-

The receivable from non-exchange transaction are grants which had debit balances at year end.

8. VAT receivable

VAT	1,832,150	846,968

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	947	1,446
Bank balances	978,975	-
Short-term deposits	753,280	813,794
Bank overdraft	-	(45,645)
	1,733,202	**769,595**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2015	June 30, 2014	June 30, 2013
ABSA BANK (405 362 8182) - Current Account	978,975	(45,645)	1,817,465	978,975	(45,645)	1,817,465
ABSA BANK (9297067856) - Short-term investment-7110/0000 000	1,077	-	-	1,077	-	-
NEDBANK (03/7662022528/000015/14) - Short-term-7150/0000 000	752,203	-	-	752,203	-	-
NEDBANK (03/7662022528/000011)- Short-term -7160/0000/000	-	-	-	-	813,794	-
Total	**1,732,255**	**(45,645)**	**1,817,465**	**1,732,255**	**768,149**	**1,817,465**

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Systems Improvement Grant	182,544	182,794
Thetha	36,080	36,080
Provincial Infrastructure Grant	204,193	204,193
Motheo Disestablishement Grant	985,325	985,325
Rural Roads Assets Management Systems	383,338	155,900
	1,791,480	**1,564,292**

Figures in Rand	2015	2014

10. Unspent conditional grants and receipts (continued)

Movement during the year

	2015	2014
Balance at the beginning of the year	1,564,292	1,225,598
Additions during the year	50,292,000	54,314,944
Income recognition during the year	(50,064,812)	(53,976,250)
	1,791,480	**1,564,292**

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 14 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

11. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Non current long service provision	1,113,000	234,000	-	-	1,347,000
Current long service provision	260,000	-	(110,052)	(51,948)	98,000
	1,373,000	**234,000**	**(110,052)**	**(51,948)**	**1,445,000**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Non current long service provision	879,000	234,000	1,113,000
Current long service provision	237,000	23,000	260,000
	1,116,000	**257,000**	**1,373,000**

	2015	2014
Non-current liabilities	1,347,000	1,113,000
Current liabilities	98,000	260,000
	1,445,000	**1,373,000**

The long service awards liability arises from Xhariep District Municipality being a party to the collective Agreement on Contidion of Service for the Free State Division of SALGBC. This agreement is effective from 1 July 2010.

The long service awards plan is a difined benefit plan. At period end 70 employees were eligible for long service bonuses.

The current service cost for the ensuing year is estimated to be R 266 000 (June 2014- R 260 0000) whereas the interest cost for the ensuing year is estimated to be R 138 000 (June 2014 R116 000).

	2015	2014
Present value of unfunded obligations:		
Present value of unfunded obligation at year end	98,000	137,300
Reconciliation of unfunded obligations:		
Present value of unfunded obligation at the begining of the year	1,373,000	1,116,000
Current service costs	260,000	237,000
Long service awards paid	(110,052)	(83,000)
Interest costs	116,000	88,000
Acturial gains/(losses)	(193,948)	15,000
	1,445,000	**1,373,000**

The effect of a 1% increase in the salary cost inflation will lead to a 8.30% increase in the accrued liability as at 30 June 2015

The effect of a 1% decrease in the salary cost inflation will lead to a 7.33% decrease in the accrued liability as at 30 June 2015

Management has assumed that the estimates for 30 June 2015 are still adaquate and no material movement would have taken plan in a period of six months.

Long service benefits are awarded in the form of leave days and a percentage of salary. The awarded leave days have been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working days and therefore the benefis awarded can be expressed as follows:

Notes to the Financial Statements

Figures in Rand	2015	2014

12. Payables from exchange transactions

Trade payables	1,202,202	1,070,259
Staff bonuses accrual	746,175	629,066
Staff leave accrual	2,054,346	3,234,486
Salary control	97,224	102,872
Retention	135,359	135,359
Other creditors	4,813,118	506,166
	9,048,424	**5,678,208**

13. Revenue

Rental of facilities and equipment	395,017	524,860
Fees earned	30,127	15,482
Insurance payout	632,170	98,087
Other income	227,818	-
Interest received - investment	337,607	271,999
Government grants & subsidies	50,133,956	55,360,466
Public contributions and donations	3,000	-
LG SETA income	233,871	-
	51,993,566	**56,270,894**

The amount included in revenue arising from exchanges of goods or services are as follows:

Rental of facilities and equipment	395,017	524,860
Fees earned	30,127	15,482
Insurance payout	632,170	98,087
Other income	227,818	-
Interest received - investment	337,607	271,999
	1,622,739	**910,428**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

Government grants & subsidies	50,133,956	55,360,466
Public contributions and donations	3,000	-
LG SETA income	233,871	-
	50,370,827	**55,360,466**

Figures in Rand	2015	2014

14. Government grants and subsidies

Equitable share	27,876,000	25,535,000
Municipal Systems Improvement Grant	934,251	708,150
Financial Management Grant	1,250,056	1,250,152
Expanded Public Works Programme	1,149,088	1,000,000
Rural Roads Asset Management Systems	1,624,561	1,113,100
Provincial Financial Assistance Grant	17,300,000	25,754,064
	50,133,956	**55,360,466**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	182,794	227,944
Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,250)	(708,150)
Roll over (not approved) / approved	-	(227,000)
	182,544	**182,794**

The purpose of the grant is to assit municipalities in building in house capacity to perform thier function and stabilise institutional and governance system as required in the Local Government Municipal Systems Act of 2000.

Financial Management Grant

Balance unspent at beginning of year	-	403,000
Current-year receipts	1,250,000	1,250,152
Conditions met - transferred to revenue	(1,250,056)	(1,250,152)
Roll over not approved	-	(403,000)
	(56)	**-**

The purpose of the grant is to promote and support reforms to financial managment and implementation of the Municipal Finance Managment Act(MFMA).

THETHA

Balance unspent at beginning of year	36,080	36,080

The pupose of the grant will be for capacity building of the municipality.

The learners under this grant have long finished their learnership and employed by the municipality. This resulted in the remaining balance of the grant not being used.

Provincial Infrastructure Grant

Balance unspent at beginning of year	204,193	204,193

Conditions still to be met - remain liabilities (see note 10).

Provide explanations of conditions still to be met and other relevant information.

Notes to the Financial Statements

Figures in Rand	2015	2014

14. Government grants and subsidies (continued)

Expanded Public Works Programme

Current - year receipts	1,080,000	1,000,000
Conditions met - transferred to revenue	(1,149,088)	(1,000,000)
	(69,088)	**-**

The purpose of the grant is to expand job creation programms in the district. during the current the municipality incurred more cost then the grant allocated to the municipality.

Motheo Disestablishment Grant

Balance unspent at beginning of year	985,325	985,325

The purpose of the grant is to provide general assistance to local municipalities within the districts as well as completing specific infrastructure projects on behalf of Naledi Local Municipality. The financial assistance grant has no condition and can be used to finance the capital and operating activities of the Municipality in line with Municipality Budget

Rural Roads Asset Management Systems

Balance unspent at beginning of year	155,900	-
Current - year receipts	1,852,000	1,269,000
Conditions met - transferred to revenue	(1,624,562)	(1,113,100)
	383,338	**155,900**

The purpose of the is to assist the municipality monitor the conditions of the municipal roads.

Provincial Financial Assistance Grant

Current - year receipts	17,300,000	25,754,064
Conditions met - transferred to revenue	(17,300,000)	(25,754,064)
	-	**-**

Provide explanations of conditions still to be met and other relevant information.

15. Public contributions and donations

Donations	3,000	-

16. Other revenue

Fees earned	30,127	15,482
Insurance payout	632,170	98,087
Other income	227,818	-
	890,115	**113,569**

Figures in Rand	2015	2014

17. General expenses

Accounting fees	-	443,756
Advertising	91,252	264,861
Auditors remuneration	2,436,935	2,269,611
Bank charges	59,310	80,290
Consulting and professional fees	183,363	413,494
Consumables	96,511	15,523
Entertainment	310,525	309,394
Fines and penalties	156,618	-
Insurance	450,708	320,901
Community development and training	-	508,250
Conferences and seminars	36,355	24,856
IT expenses	248,153	-
Motor vehicle expenses	1,697	40,637
Fuel and oil	235,195	280,362
Postage and courier	2,053	2,883
Printing and stationery	-	184,671
Subscriptions and membership fees	544,838	45,422
Telephone and fax	514,085	442,084
Training	473,649	536,170
Travel - local	3,200,626	2,601,879
Refuse	1,622	1,547
Tourism development	132,588	-
Water and Electricity	326,498	321,819
Sundry expenses	53,663	12,007
EPWP incentive	1,149,087	3,065,535
Other expenses	4,823,642	5,657,533
Property rates	180,118	50,400
	15,709,091	**17,893,885**

Notes to the Financial Statements

Figures in Rand	2015	2014

18. Employee related costs

Basic	19,593,840	17,363,593
Medical aid - company contributions	1,497,359	1,435,618
UIF	140,101	140,559
SDL	266,649	265,330
Other payroll levies	6,698	6,368
Leave pay provision charge	49,477	3,234,486
Defined contribution plans	3,307,808	3,025,383
Long-service awards	-	267,369
13th Cheques	1,581,745	1,754,809
Travelling Allowance	3,127,672	3,113,059
Housing benefits and allowances	151,222	162,411
Cellphone allowance	256,535	284,509
	29,979,106	**31,053,494**

Remuneration of Municipal Manager

Annual Remuneration	1,202,377	991,582
Car Allowance	84,000	293,107
13th Cheque	-	38,699
Contributions to UIF, Medical and Pension Funds	26,203	23,925
Telephone allowance	9,600	-
Other	11,739	-
	1,333,919	**1,347,313**

Remuneration of Chief Financial Officer

Annual Remuneration	791,124	519,836
Car Allowance	51,092	-
Contributions to UIF, Medical and Pension Funds	120,900	1,041
Telephone	8,542	-
Other	8,546	-
	980,204	**520,877**

Director CorporateServices

Annual Remuneration	-	142,453
Car Allowance	-	98,590
13th Cheque	-	35,613
Contributions to UIF, Medical and Pension Funds	-	26,236
	-	**302,892**

Director Planning and development

Annual Remuneration	868,618	415,494
Car Allowance	110,911	263,288
13th Cheque	-	23,474
Contributions to UIF, Medical and Pension Funds	93,927	90,818
Telephone	9,600	-
Other	9,830	-
	1,092,886	**793,074**

Notes to the Financial Statements

Figures in Rand	2015	2014

19. Remuneration of councillors

Executive Mayor	749,317	708,911
Mayoral Committee Members	1,277,820	1,180,611
Speaker	380,495	358,893
Councillors	1,346,926	1,376,287
	3,754,558	**3,624,702**

20. Debt impairment

Contributions to debt impairment provision	(112,027)	186,989
Bad debts written off	568,150	-
	456,123	**186,989**

21. Depreciation and amortisation

Property, plant and equipment	2,293,785	2,282,637

22. Impairment of assets

Impairments		
Property, plant and equipment	-	337,647

23. Gains or losses on assets

Losses on asset	(340,764)	82,234

24. Finance costs

Finance cost	302,555	70,941

25. Rental of facilities and equipment

Premises		
Rental of facilities and equipment	395,017	524,860

26. Cash generated from (used in) operations

Deficit	(5,207,147)	(3,656,911)
Adjustments for:		
Depreciation and amortisation	2,293,785	2,282,637
Gain (loss) on sale of assets and liabilities	340,764	(82,234)
Impairment deficit	-	337,647
Movements in provisions	72,000	126,427
Changes in working capital:		
Inventories	16,977	25,289
Receivables from exchange transactions	1,263,761	(930,410)
Payables from exchange transactions	3,370,212	(555,766)
VAT	(985,182)	132,997
Unspent conditional grants and receipts	227,188	(427,761)
Provision	-	2,100,282
	1,392,358	**(647,803)**

Figures in Rand	2015	2014

27. Commitments

Authorised capital expenditure

Approved and Contracted for		
Other Assets	-	111
Current Expenditure	2,184,995	2,962,676
	2,184,995	**2,962,787**

Total capital commitments		
Already contracted for but not provided for	2,184,995	2,962,787
Not yet contracted for and authorised by accounting officer	-	-
	2,184,995	**2,962,787**

This committed expenditure relates to expenditure and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	387,130	-
- in second to fifth year inclusive	774,261	-
	1,161,391	**-**

The total future minimum sublease payment expected to be received under non-cancellable sublease	-	-

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	446,688	446,688
- in second to fifth year inclusive	-	446,688
- later than five years	-	-
	446,688	**893,376**

28. Contingencies

Litigation is in the process against the municipality by a service provider who was appointed to perform a VAT review for the period 1 July 2009 to 30 June 2011 for breach of contract and non - payment of professional fees. The possible financial implication would be a probable loss amounting to R93 254.

There is a possible litigation by the municipality against only of the stakeholder in the SOLAR PV ENERGY HUB/PARK PROJECT. The stakeholders are in the process of challenging to take-over the project without the consent and knowledge of Xhariep District Municipality. At this stage the outcome for litigation can not be determine.

Contingent assets

The Municipality had no contingent asset at the reporting date.

Notes to the Financial Statements

Figures in Rand	2015	2014

29. Change in estimate

Property, plant and equipment

Change in remaining useful lives of moveable assets in the 2013/14 financial year.

The remaining useful lives of moveable assets were reassessed at reporting date. The effect of the changes made can be summarised as follows:

- The impact of the change in accounting estimate resulted in an increasing adjustment affecting the statement of financial position on the Property, Plant and Equipment amounting to R550 568,76;
- The impact of the change in accounting estimate resulted in a decreasing adjustment affecting the statement of financial performance on the Depreciation and Amortisation amounting to R550 568,76.

During the current financial year municipilty did not have any change a in estimaten

30. Prior period errors

The following errors were corrected in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors

Prior period error - Understatement of VAT control account

During the period under review it was noted that the vat control account was understated at 30 June 2014. The comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Prior period error - Correction of finance lease assets

During the period under review it was noted that finance lease assets misstated at 30 June 2014. The comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Prior period error - Overstatement of unspent grants

During the period under review it was noted that unspent grants were overstated at 30 June 2014. The comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Prior period error - Overstatement of Property, plant and equipment

During the period under review it was noted that unspent grants were overstated at 30 June 2014. The comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:

The correction of the error(s) results in adjustments as follows:

Property, Plant and Equipment		
Increase in vat receivable	-	9,947
Decrease in cost price of finance lease assets	-	(416,062)
Decrease in accumulated depreciation finance lease assets	-	416,062
Decrease in unspent grants	-	135,359
Increase in payables from exchange transactions	-	(135,359)
Increase in opening cost price of PPE	-	55,095
Decrease in opening cost price of accumulated depreciation	-	105,291
Increase in vat receivable	-	64
Increase in opening accumulated surplus	-	(126,108)
	-	-
	-	-
	-	-
	-	-

Figures in Rand	2015	2014

30. Prior period errors (continued)

Statement of Financial Performance		
Decrease other income	-	9,947
Decrease in Depreciation	-	(26,141)
Increase in Profit on sale of asset	-	(8,200)

31. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
ABSA Bank: Current Account	978,975	(45,645)
Receivable from exchange transactions	1,038,252	1,038,252
ABSA Investment	1,077	-
NedBank	752,203	813,794

Market risk

Interest rate risk

The municipality's interest rate risk arises from short term loans and investments. These are issued at variable rates and expose the Municipality to cash flow interest rate risk. Financial instructments that are issued at fixed rates expose the municipality to fair value interest rate risk.

32. Going concern

We draw attention to the fact that at June 30, 2015, the municipality had accumulated surplus of R 9,885,125 and that the municipality's total assets exceed the liability by R 9,885,125.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

33. Events after the reporting date

At the time of preparing and submitting the Annual Financial Statement there were no subsequent events to disclose.

34. Unauthorised expenditure

Opening balance	13,528,499	11,151,137
Unauthorised expenditure current year/period	-	2,377,362
Approved by Council or condoned	-	-
	13,528,499	**13,528,499**

Notes to the Financial Statements

Figures in Rand	2015	2014

35. Fruitless and wasteful expenditure

Opening balance	155,590	133,260
Fruitless and wasteful expenditure current year	296,066	22,330
Approved by Council or condoned	-	-
	451,656	**155,590**

Reconciliation of fruitless and wasteful expenditure	**2015**	**2014**
Interest and penalties for late payment of suppliers	276,171	17,071
Penalties for flight rescheduling	250	695
Interest paid on amounts in excess of approved bank overdraft	16,438	-
Accomodation bookings	3,206	4,564
	296,065	**22,330**

36. Irregular expenditure

Opening balance	26,138,170	17,774,097
Add: Irregular Expenditure - current year	4,418,427	8,364,073
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	30,556,597	**26,138,170**

Analysis of expenditure awaiting condonation per age classification

Current year	3,977,067	8,364,073
Prior years	26,138,170	17,774,097
	30,115,237	**26,138,170**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Tax clearance certificates not obtained as per SCM policy	The expenditure was identified during the current financial year and still needs to be investigated.	-
Tender process not followed as required by SCM policy	The expenditure was identified during the current financial year and still needs to be investigated.	3,742,329
Insufficient quotation obtained as required by SCM policy	The expenditure was identified during the current financial year and still needs to be investigated.	676,098
		4,418,427

37. Fees earned

Tender Documents Fees	30,127	15,482

38. Insurance payout

Insurance payout	632,170	98,087

39. Interest Income

Interest charged on trade and other receivables	154,053	162,313
Interest received - Bank and Investment	183,554	109,686
	337,607	**271,999**

Notes to the Financial Statements

Figures in Rand	2015	2014

40. Other income

Other income	227,818	-

41. LG SETA Income

LG SETA Income	233,871	-

42. Pension and Medical Aid Contributions

Current year subscription/Fee	7,770,967	7,199,371
Amount paid - Current year	(7,770,967)	(7,199,371)
	-	-

43. PAYE, UIF and SDL

Opening Balance	564,612	-
Current year subscription/Fee	7,088,866	6,119,765
Amount paid - Current year	(6,971,583)	(5,555,152)
	681,895	**564,613**

44. Contributions to organised local government

Current year subscription/Fee	500,000	450,000
Amount paid - Current year	(500,000)	(450,000)
	-	-

45. Audit Fees

Opening Balance	-	1,903
Current year subscription/Fee	2,867,170	2,269,611
Amount paid - Current year	(809,911)	(2,269,611)
Amount paid - Current year	-	(1,903)
	2,057,259	**-**

Xhariep District Municipality
Appendix A

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at Monday, June 30, 2014 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Tuesday, June 30, 2015 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
Total external loans			-	-	-	-	-	-

Xhariep District Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				
COGTA Financial Assistance Grant	Provincial Government Grants	800,000	-	-	16,500,000	-	800,000	800,000	800,000	17,300,000
		-	-	-	-	-	-	-	-	-
Provincial Infrastructure Grant	Provincial Government Grants	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Motheo District Municipality Disestablishment Grant	Provincial Government Grants	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Equitable share	National Government Grants	11,034,000	9,292,000	7,550,000	-	-	11,034,000	9,292,000	7,550,000	-
		-	-	-	-	-	-	-	-	-
Financial Management Grant	National Government Grants	1,250,000	-	-	-	-	314,793	495,921	92,651	346,692
		-	-	-	-	-	-	-	-	-
MSIG Grant	National Government Grant	934,000	-	-	-	-	-	185,047	105,380	643,824
		-	-	-	-	-	-	-	-	-
EPWP Grant	National Government Grants	432,000	324,000	324,000	-	-	143,349	531,092	587,904	1,149,088
		-	-	-	-	-	-	-	-	-
RRAMS	National Government Grants	1,852,000	-	-	-	-	-	868,224	868,224	1,468,662
		-	-	-	-	-	-	-	-	-
THETHA Grant	Other Grants and Subsidies	-	-	-	-	-	-	-	-	-
		16,302,000	9,616,000	7,874,000	16,500,000	-	12,292,142	12,172,284	10,004,159	20,908,266

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Xhariep District Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended June 30, 2015

	2014/15														2013/14
	Original Budget	**Budget Adjustments (i.t.o. s28 and s31 of the MFMA)**	**Final adjustments budget**	**Shifting of funds (i.t.o. s31 of the MFMA)**	**Virement (i.t.o. Council approved policy)**	**Final Budget**	**Actual Outcome**	**Unauthorised expenditure**	**Variance of Actual Outcome against Adjustments Budget**	**Actual Outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**	**Reported unauthorised expenditure**	**Expenditure authorised in terms of section 32 of MFMA**	**Balance to be recovered**	**Restated Audited Outcome**
	Rand	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**
Revenue - Standard															
Governance and administration	**52,066,361**	**(2,550,644)**	**49,515,717**	**-**		**49,515,717**	**40,334,880**		**(9,180,837)**	**81 %**	**77 %**				**45,268,656**
Executive and council	14,877,956	(1,533,412)	13,344,544	-		13,344,544	7,455,727		(5,888,817)	56 %	50 %				7,708,266
Budget and treasury office	14,928,408	(272,129)	14,656,279	-		14,656,279	13,997,654		(658,625)	96 %	94 %				14,137,237
Corporate services	22,259,997	(745,103)	21,514,894	-		21,514,894	18,881,499		(2,633,395)	88 %	85 %				23,423,153
Economic and environmental services	**11,639,009**	**(747,391)**	**10,891,618**	**-**		**10,891,618**	**11,439,390**		**547,772**	**105 %**	**98 %**				**11,021,733**
Planning and development	11,639,009	(747,391)	10,891,618	-		10,891,618	11,439,390		547,772	105 %	98 %				11,021,733
Total Revenue - Standard	**63,705,370**	**(3,298,035)**	**60,407,335**	**-**		**60,407,335**	**51,774,270**		**(8,633,065)**	**86 %**	**81 %**				**56,290,389**

Xhariep District Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended June 30, 2015

	2014/15											2013/14			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**52,227,155**	**(2,550,644)**	**49,676,511**	**-**	**-**	**49,676,511**	**39,954,601**	**-**	**(9,721,910)**	**80 %**	**77 %**	**-**	**-**	**-**	**40,231,889**
Executive and council	20,830,215	(1,533,412)	19,296,803	-	-	19,296,803	13,966,219	-	(5,330,584)	72 %	67 %	-	-	-	11,772,708
Budget and treasury office	12,354,570	(272,129)	12,082,441	-	-	12,082,441	9,937,915	-	(2,144,526)	82 %	80 %	-	-	-	11,476,478
Corporate services	19,042,370	(745,103)	18,297,267	-	-	18,297,267	16,050,467	-	(2,246,800)	88 %	84 %	-	-	-	16,982,703
Economic and environmental services	**13,806,724**	**(747,391)**	**13,059,333**	**-**	**-**	**13,059,333**	**10,592,843**	**-**	**(2,466,490)**	**81 %**	**77 %**	**-**	**-**	**-**	**14,178,774**
Planning and development	13,806,724	(747,391)	13,059,333	-	-	13,059,333	10,592,843	-	(2,466,490)	81 %	77 %	-	-	-	14,178,774
Total Expenditure - Standard	**66,033,879**	**(3,298,035)**	**62,735,844**	**-**	**-**	**62,735,844**	**50,547,444**	**-**	**(12,188,400)**	**81 %**	**77 %**	**-**	**-**	**-**	**54,410,663**
Surplus/(Deficit) for the year	**(2,328,509)**	**-**	**(2,328,509)**	**-**		**(2,328,509)**	**1,226,826**		**3,555,335**	**(53)%**	**(53)%**				**1,879,726**